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CENTRAL INTELLIGENCE AGENCY

1 October 1948

INTELLIGENCE MEMORANDUM NO. 70

SUBJECT: Foreign Construction of Tankers for the USSR

1. A check of Lloyd's Register, the Shipbuilders Council of America, the American Bureau of Shipping, and the US Maritime Commission, as well as the files of the Transportation Group, reveals no such construction of any consequence underway in any shipyard outside the USSR. Furthermore, despite negotiations with several European countries, the USSR has apparently been unable to negotiate any contracts of consequence. Trade agreements with Denmark and the Netherlands provide for negotiation of contracts covering nine tankers totaling 43,000 tons. However, should such contracts be negotiated, which is doubtful, final delivery of the tankers will not take place for several years.

2. The absence of tanker construction for Soviet account is of interest, because the inability to move sufficient oil by water is doubtless a matter of serious concern to the USSR. (As of 30 June 1948, the USSR, with 126,900 gross tons, ranked twelfth in world tanker fleets.)

3. The reluctance of foreign countries to undertake tanker construction for the USSR is not surprising. Soviet contracts are frequently designed to establish far-reaching economic ties with the Soviet Union. The USSR is usually unwilling to furnish steel and other materials needed for ship construction. The terms of payment, furthermore, often disregard the usual arrangement for part payments at keel laying, launching, etc. In the case of Italy, moreover, there is the fear that the USSR will attempt to avoid payment by claiming the vessels as reparations. These and other reasons make it most unlikely that the Soviet Union will acquire any significant amount of tanker tonnage abroad.

4. No report has been received from Navy concerning the above subject. Although it is believed that the Navy report will not change the foregoing conclusions, if any essential information to the contrary is developed, it will be made available upon receipt by CIA.

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